

# **City of Olivet**

**Eaton County, Michigan**

---

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended June 30, 2008**

# City of Olivet

Eaton County, Michigan

## Contents

June 30, 2008

Independent Auditor's Report	1
Management's Discussion and Analysis	2
<b>BASIC FINANCIAL STATEMENTS</b>	
Government Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds	
Statement of Fiduciary Net Assets	20
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b>	21
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
General Fund	
Balance Sheet	33
Budgetary Comparison Schedule	34
Major Streets Fund	
Balance Sheet	37
Budgetary Comparison Schedule	38
Local Streets Fund	
Balance Sheet	39
Budgetary Comparison Schedule	40
2006 Bridge Construction Fund	
Balance Sheet	41
Budgetary Comparison Schedule	42
Water/Sewer Enhancements Grant Construction Fund	
Balance Sheet	43
Budgetary Comparison Schedule	44
<b>NONMAJOR GOVERNMENTAL FUNDS</b>	45
<b>LONG-TERM DEBT SCHEDULES</b>	50
<b>AUDITORS' REPORTS</b>	
Communication With Those Charged With Governance	53
Management Comments Letter	56

## INDEPENDENT AUDITOR'S REPORT

To the City City Council  
City of Olivet  
Eaton County, Michigan


We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olivet as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Olivet management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olivet as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Olivet basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Grand Rapids, Michigan  
December 30, 2008

# City of Olivet

Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

### The City as a Whole

The City's combined net assets increased 5% from a year ago, increasing from \$3,798,497 to \$3,991,385.

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$63,609 for the governmental activities. This represents an increase approximately 5%. The current level of unrestricted net assets for our governmental activities stands at \$1,229,109, or about 90% of expenses. This is within the targeted range set by the City Council during its last budget process.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 948,534	\$ 1,234,776	\$ 326,967	\$ 360,166	\$ 1,275,501	\$ 1,594,942
Noncurrent assets	1,604,217	1,227,148	2,551,342	2,431,731	4,155,559	3,658,879
Total assets	2,552,751	2,461,924	2,878,309	2,791,897	5,431,060	5,253,821
Long-term debt outstanding	166,000	175,000	1,215,127	1,253,127	1,381,127	1,428,127
Other liabilities	53,617	20,836	4,931	6,361	58,548	27,197
Total liabilities	219,617	195,836	1,220,058	1,259,488	1,439,675	1,455,324
Net assets						
Invested in capital assets - net of debt	1,350,251	1,052,148	1,151,223	1,178,604	2,501,474	2,230,752
Restricted	260,802	402,245	-	-	260,802	402,245
Unrestricted	722,081	811,695	507,028	353,805	1,229,109	1,165,500
Total net assets	\$ 2,333,134	\$ 2,266,088	\$ 1,658,251	\$ 1,532,409	\$ 3,991,385	\$ 3,798,497

# City of Olivet

Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
<b><u>Program revenues</u></b>						
Charges for services	\$ 59,915	\$ 90,788	\$ 318,710	\$ 353,295	\$ 378,625	\$ 444,083
Operating grants and contributions	206,121	227,672	-	-	206,121	227,672
Capital grants and contributions	382,760	281,272	103,944	-	486,704	281,272
<b><u>General revenue</u></b>						
Property tax	201,443	199,191	-	-	201,443	199,191
State shared revenue	193,534	200,210	-	-	193,534	200,210
Unrestricted investment income	12,579	12,764	9,572	10,099	22,151	22,863
Miscellaneous	11,935	15,771	2,092	-	14,027	15,771
Interfund transfers	20,326	21,000	(22,322)	(21,000)	(1,996)	-
<b>Total revenues</b>	<b>1,088,613</b>	<b>1,048,668</b>	<b>411,996</b>	<b>342,394</b>	<b>1,500,609</b>	<b>1,391,062</b>
<b><u>Program expenses</u></b>						
General government	194,885	171,248	-	-	194,885	171,248
Public safety	317,198	238,065	-	-	317,198	238,065
Public works	533,681	258,019	-	-	533,681	258,019
Health and welfare	10,342	10,843	-	-	10,342	10,843
Community and economic development	9,647	8,256	-	-	9,647	8,256
Recreation and culture	13,780	13,358	-	-	13,780	13,780
Capital outlay	-	28,129	-	-	-	28,129
Sewer Fund	-	-	162,318	177,237	162,318	177,237
Water Fund	-	-	123,836	124,539	123,836	124,539
<b>Total expenses</b>	<b>1,079,533</b>	<b>727,918</b>	<b>286,154</b>	<b>301,776</b>	<b>1,365,687</b>	<b>1,030,116</b>
<b>Change in net assets</b>	<b>\$ 9,080</b>	<b>\$ 320,750</b>	<b>\$ 125,842</b>	<b>\$ 40,618</b>	<b>\$ 134,922</b>	<b>\$ 360,946</b>

# City of Olivet

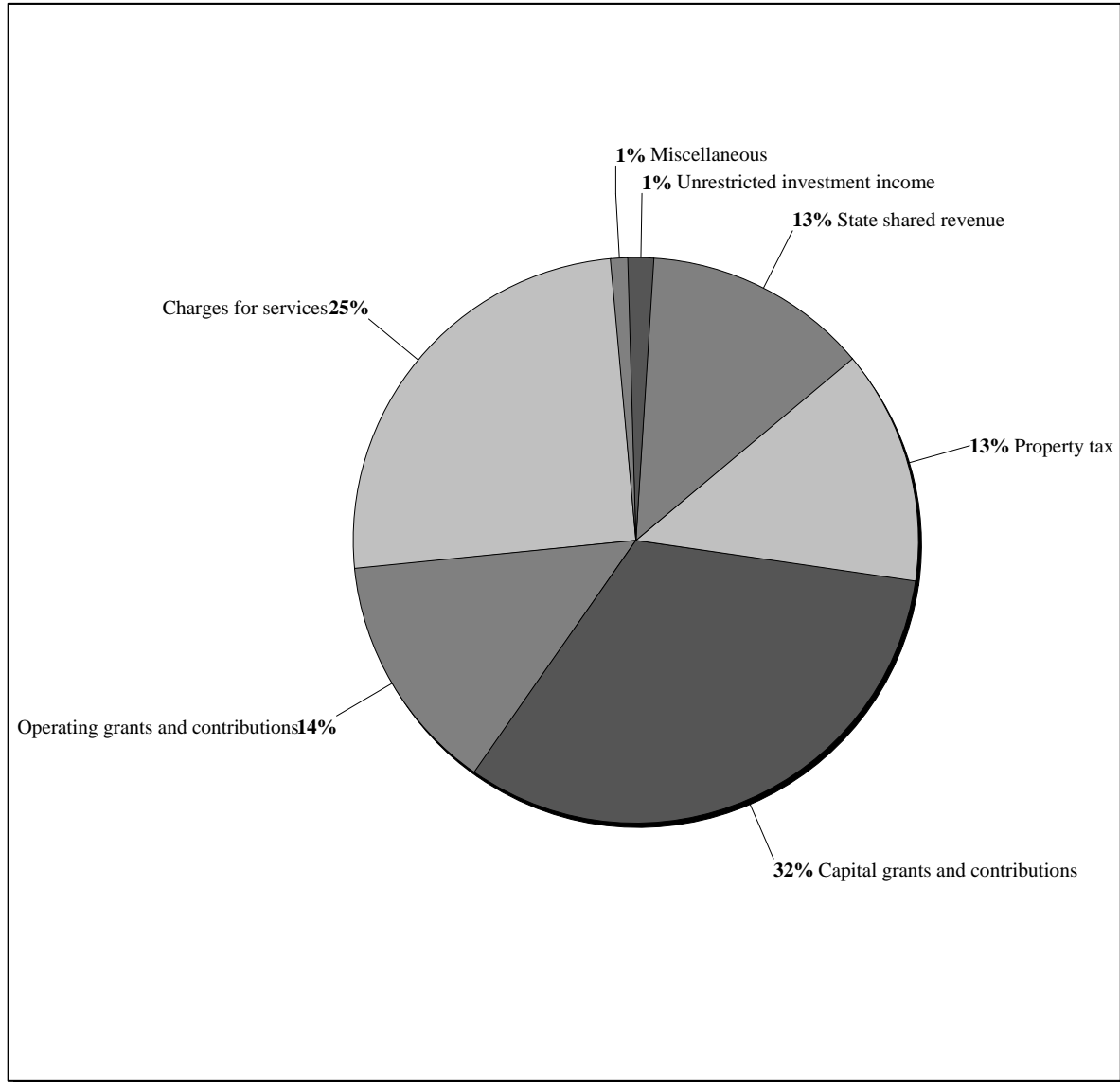
Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

---

The following chart illustrates the sources of the City's revenue.



# City of Olivet

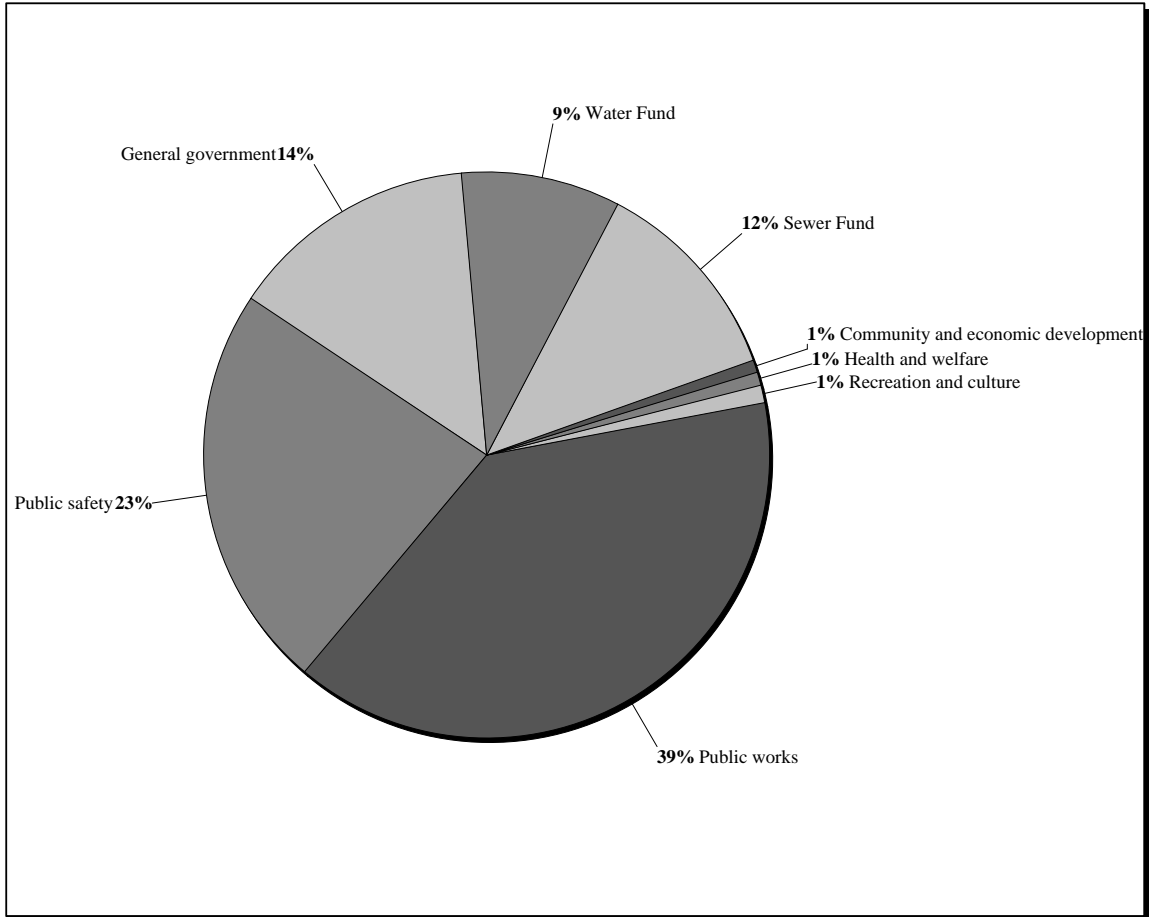
Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

---

The following chart illustrates the City's expenses.



# City of Olivet

Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

### The City's Funds

Our presentation of the City's funds begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2008 were the General Fund, the Major Streets Special Revenue Fund and the Local Streets Special Revenue Fund.

### The General Fund Budget

The City's management does not expect the budget for 2008-2009 to be significantly different from 2007-2008.

### Capital Asset and Debt Administration

At the end of 2008, the City had \$4,067,592, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment, streets and bridges and water and sewer lines.

The following table shows the City's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Buildings and improvements	\$ 42,258	\$ 43,661	-	\$ -	\$ 42,258	\$ 43,661
Vehicles	248,752	194,441	-	-	248,752	194,441
Equipment	134,515	157,966	-	-	134,515	157,966
Streets infrastructure	803,807	509,170	-	-	803,807	509,170
Internal service fund	286,919	321,911	-	-	286,919	321,911
Sewer	-	-	1,475,081	1,383,509	1,475,081	1,383,509
Water	-	-	1,076,260	1,048,221	1,076,260	1,048,221
<b>Total net assets</b>	<b>\$ 1,516,251</b>	<b>\$ 1,227,149</b>	<b>\$ 2,551,341</b>	<b>\$ 2,431,730</b>	<b>\$ 4,067,592</b>	<b>\$ 3,658,879</b>



# City of Olivet

Eaton County, Michigan

## Management Discussion and Analysis

For the year ended June 30, 2008

---

### Economic Factors and Next Year's Budgets and Rates

The City of Olivet had a relatively quite 2007-08 fiscal year.

We spent some time wrapping up projects prior to year end so that there was no carry over into the next fiscal year.

The Bridge Construction Account was closed out. Funding for this project was received from various entities. Michigan Economic Development Trust Funds Grant in the amount of \$160,000; MEDC- ICE Grant in the amount of \$275,000; Bonding with a portion of our Act 51 Funds for \$175,000; and local matching funds in the amount of \$188,437.

The Confined Space Project was closed with \$20,000 being received from the Michigan Economic Development Trust Fund and a local match in the amount of \$2,000 from the City.

The Water/Sewer Enhancement Project was closed with \$199,800 received from MEDC-ICE Grant funds and local matching funds in the amount of \$66,600 from the City of Olivet.

The City sold various pieces of used equipment such as used Scott Air Packs and two used patrol cars. We also spent a great deal of time implementing new policies and procedures for all municipal departments, as well as implementing a new drug and alcohol policy.

The City of Olivet also signed a purchase agreement to buy the Vanator Building to house a Police Station and City Hall in August 2008. Remodeling should begin in January of 2009.

The Fire Department obtained their EMS Medical First Responder Vehicle in September 2008. Local funds contributed to a portion of this project along with a grant and long term low interest loan from Rural Development.

The City of Olivet continued to work with the Olivet Lion's Club, Olivet Community Schools and Olivet College to obtain enough funding to construct the Community Playground Project. Construction should begin in May of 2009.

The City of Olivet will maintain what we have while rebuilding our reserves. We will base our expenses on current grants and possible future grants for projects such as downtown enhancements, road repaving, and water/sewer extensions.

### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please feel free to contact the City Clerk/Treasurer's Office at the City of Olivet, 106 South Main, PO Box 367, Olivet, Michigan 49076. The City's phone number is (269) 749-4961.

# City of Olivet

Eaton County, Michigan

## Statement of Net Assets

For the year ended June 30, 2008

	Governmental activities	Business type activities	Total	Component units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 821,554	\$ 344,516	\$ 1,166,070	\$ 6,132
Receivables (net)	33,206	76,225	109,431	-
Internal balances	93,774	(93,774)	-	-
Capital assets - net	1,604,217	2,551,342	4,155,559	-
<b>TOTAL ASSETS</b>	<b>\$ 2,552,751</b>	<b>\$ 2,878,309</b>	<b>\$ 5,431,060</b>	<b>\$ 6,132</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 51,394	\$ 4,931	\$ 56,325	\$ -
Accrued and other liabilities	2,223	-	2,223	-
Due within one year	9,000	39,000	48,000	-
Due in more than one year	157,000	1,176,127	1,333,127	-
<b>TOTAL LIABILITIES</b>	<b>219,617</b>	<b>1,220,058</b>	<b>1,439,675</b>	<b>-</b>
<b>NET ASSETS</b>				
Restricted	260,802		260,802	
Invested in capital assets	1,350,251	1,151,223	2,501,474	-
Unrestricted	722,081	507,028	1,229,109	6,132
<b>TOTAL NET ASSETS</b>	<b>2,333,134</b>	<b>1,658,251</b>	<b>3,991,385</b>	<b>6,132</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,552,751</b>	<b>\$ 2,878,309</b>	<b>\$ 5,431,060</b>	<b>\$ 6,132</b>

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

## Statement of Activities

For the year ended June 30, 2008

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
General government	\$ 194,885	\$ 57,948	\$ 28,700	\$ -
Public safety	317,198	-	60,608	-
Public works	533,681	1,967	110,400	382,760
Health and welfare	10,342	-	-	-
Community and economic development	9,647	-	6,413	-
Recreation and culture	13,780	-	-	-
<b>Total Governmental activities</b>	<b>1,079,533</b>	<b>59,915</b>	<b>206,121</b>	<b>382,760</b>
<b><u>BUSINESS ACTIVITIES</u></b>				
Sewer	162,318	160,196	-	103,944
Water	123,836	158,514	-	-
<b>Total Business type activities</b>	<b>286,154</b>	<b>318,710</b>	<b>-</b>	<b>103,944</b>
<b>Total Primary government</b>	<b>1,365,687</b>	<b>378,625</b>	<b>206,121</b>	<b>486,704</b>
<b><u>COMPONENT UNIT</u></b>				
Economic Development	\$ 18,205	\$ -	\$ -	\$ -

### General Revenues

Property taxes  
State-shared revenue  
Unrestricted investment income  
Franchise fees  
Gain on sale  
Miscellaneous  
Interfund transfers

**Total general revenues - special items and transfers**

**Change in net assets**

**Net assets at beginning of year**

**Net assets at end of year**

See accompanying notes to basic financial statements.

Governmental activities	Business-type activities	Total	Component units
\$ (108,237)	\$	(108,237)	
(256,590)		(256,590)	
(38,554)		(38,554)	
(10,342)		(10,342)	
(3,234)		(3,234)	
(13,780)		(13,780)	
(430,737)		(430,737)	
	101,822	101,822	
	34,678	34,678	
	136,500	136,500	
(430,737)	136,500	(294,237)	
		\$	(18,205)
201,443	-	201,443	-
193,534	-	193,534	-
12,579	9,572	22,151	320
5,200	-	5,200	-
3,535		3,535	
3,200	2,092	5,292	1,232
20,326	(22,322)	(1,996)	1,996
439,817	(10,658)	429,159	3,548
9,080	125,842	134,922	(14,657)
2,324,054	1,532,409	3,856,463	20,789
\$ 2,333,134	\$ 1,658,251	\$ 3,991,385	\$ 6,132

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Major Streets Special Revenue Fund	Local Streets Special Revenue Fund	2006 Bridge Construction Fund
<b>ASSETS</b>				
Cash	\$ 544,116	\$ 38,713	\$ 213,029	\$ -
Due from other governmental units	24,146	7,165	1,895	-
Due from other funds	1,496	-	-	-
Advances to other funds	82,346	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 652,104</b>	<b>\$ 45,878</b>	<b>\$ 214,924</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,077	\$ -	\$ -	\$ -
Payroll deductions payable	2,223	-	-	-
<b>TOTAL LIABILITIES</b>	<b>14,300</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>				
Fund balance reserved for				
Streets	-	45,878	214,924	-
Unreserved	637,804	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>637,804</b>	<b>45,878</b>	<b>214,924</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 652,104</b>	<b>\$ 45,878</b>	<b>\$ 214,924</b>	<b>\$ -</b>

See accompanying notes to basic financial statements.

Water Sewer Enhancement Fund			Nonmajor Funds	Total
\$	-	\$	25,696	\$ 821,554
	-		-	33,206
	-		-	1,496
	-		-	82,346
\$	-	\$	25,696	\$ 938,602
\$	-	\$	-	\$ 12,077
	-		-	2,223
	-		-	14,300
	-		-	260,802
	-		25,696	663,500
			25,696	924,302
\$	-	\$	25,696	\$ 938,602

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2008

<b>Total fund balances - governmental funds</b>		<b>\$ 924,302</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</b>		
Capital assets at cost		1,964,329
Accumulated depreciation		(734,997)
<b>Net capital assets</b>		<b>1,229,332</b>
<b>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2008 were:</b>		
Long-term debt		(166,000)
Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets		345,500
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>2,333,134</b>

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2008

	General Fund	Major Streets Special Revenue Fund	Local Streets Special Revenue Fund	2006 Bridge Construction Fund
<b>REVENUE</b>				
Property taxes	\$ 166,151	\$ -	\$ -	\$ -
Federal grants	-	-	-	150,296
State grants	193,534	91,516	24,085	-
Licenses and permits	5,281	-	-	-
Fines and forfeits	8,588	-	-	-
Charges for services	44,079	1,775	193	-
Interest and rentals	11,208	-	1,005	-
Other revenue	32,235	-	-	-
Contributions from other local units of government	-	-	-	36,324
<b>TOTAL REVENUE</b>	<b>461,076</b>	<b>93,291</b>	<b>25,283</b>	<b>186,620</b>
<b>EXPENDITURES</b>				
General government	87,395	-	-	-
Public safety	213,650	-	-	-
Public works	18,821	84,231	29,904	-
Parks and recreation	11,630	-	-	-
Health and welfare	10,342	-	-	-
Economic development	2,738	-	-	-
Other	103,739	-	-	-
Community development and enrichment	-	-	-	-
Capital outlay	-	-	-	435,972
<b>TOTAL EXPENDITURES</b>	<b>448,315</b>	<b>84,231</b>	<b>29,904</b>	<b>435,972</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>12,761</b>	<b>9,060</b>	<b>(4,621)</b>	<b>(249,352)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	7,000	26,000	75,467
Transfers out	(84,467)	(2,000)	(1,000)	(1,996)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(79,467)</b>	<b>5,000</b>	<b>25,000</b>	<b>73,471</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(66,706)</b>	<b>14,060</b>	<b>20,379</b>	<b>(175,881)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>704,510</b>	<b>31,818</b>	<b>194,545</b>	<b>175,881</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 637,804</b>	<b>\$ 45,878</b>	<b>\$ 214,924</b>	<b>\$ -</b>

See accompanying notes to basic financial statements.



Water Sewer					
Enhancement					
Fund					
			Nonmajor	Total	
			Funds		
\$	-	\$	35,292	\$	201,443
	-		60,244		210,540
	196,140		372		505,647
	-		-		5,281
	-		-		8,588
	-		-		46,047
	-		359		12,572
	-		-		32,235
	-		9,613		45,937
	196,140		105,880		1,068,290
	-		-		87,395
	-		-		213,650
	-		-		132,956
	-		-		11,630
	-		-		10,342
	-		-		2,738
	-		-		103,739
	-		6,910		6,910
	245,933		62,036		743,941
	245,933		68,946		1,313,301
	(49,793)		36,934		(245,011)
	1,688		-		115,155
	(366)		(35,000)		(124,829)
	1,322		(35,000)		(9,674)
	(48,471)		1,934		(254,685)
	48,471		23,762		1,178,987
\$	-	\$	25,696	\$	924,302

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(254,685)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		412,061
An internal service fund is used by the City to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		(69,329)
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(87,967)
Change in net assets of government activities	\$	9,080

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Proprietary Funds

Statement of Net Assets

June 30, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b>ASSETS</b>				
Current assets				
Cash	\$ 246,187	\$ 98,329	\$ 344,516	\$ -
Accounts receivable	38,416	37,809	76,225	-
Due from other funds	15,204	-	15,204	25,136
<b>Total current assets</b>	<b>299,807</b>	<b>136,138</b>	<b>435,945</b>	<b>25,136</b>
Noncurrent assets				
Capital assets	2,435,572	1,478,985	3,914,557	627,537
Accumulated depreciation	(960,491)	(402,725)	(1,363,216)	(340,618)
<b>Total Noncurrent assets</b>	<b>1,475,081</b>	<b>1,076,260</b>	<b>2,551,341</b>	<b>286,919</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,774,888</b>	<b>\$ 1,212,398</b>	<b>\$ 2,987,286</b>	<b>\$ 312,055</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 3,983	\$ 947	\$ 4,930	\$ 39,317
Due to other funds	6	26,626	26,632	15,204
Current portion of long-term debt	24,000	15,000	39,000	-
<b>Total current liabilities</b>	<b>27,989</b>	<b>42,573</b>	<b>70,562</b>	<b>54,521</b>
Noncurrent liabilities				
Bonds payable-net of current portion	856,127	320,000	1,176,127	-
Advance from other funds	-	82,346	82,346	-
<b>Total noncurrent liabilities</b>	<b>856,127</b>	<b>402,346</b>	<b>1,258,473</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>884,116</b>	<b>444,919</b>	<b>1,329,035</b>	<b>54,521</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	492,309	658,914	1,151,223	286,919
Unrestricted	398,463	108,565	507,028	(29,385)
<b>TOTAL NET ASSETS</b>	<b>890,772</b>	<b>767,479</b>	<b>1,658,251</b>	<b>257,534</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,774,888</b>	<b>\$ 1,212,398</b>	<b>\$ 2,987,286</b>	<b>\$ 312,055</b>

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Proprietary Funds

## Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b>OPERATING REVENUE</b>				
Charges for services	\$ 160,196	\$ 159,348	\$ 319,544	\$ 35,847
<b>OPERATING EXPENSES</b>				
Salaries	18,983	21,387	40,370	9,234
Supplies	3,563	10,061	13,624	25,070
Contractual services	29,201	25,058	54,259	7,105
Utilities	4,891	11,250	16,141	7,091
Repairs	-	3,890	3,890	3,325
Rent	4,191	4,481	8,672	-
Education	520	1,089	1,609	-
Depreciation	60,315	26,999	87,314	39,983
Capital outlay	-	6,094	6,094	83,393
<b>TOTAL OPERATING EXPENSES</b>	<b>121,664</b>	<b>110,309</b>	<b>231,973</b>	<b>175,201</b>
<b>OPERATING INCOME (LOSS)</b>	<b>38,532</b>	<b>49,039</b>	<b>87,571</b>	<b>(139,354)</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest on investments	8,395	1,177	9,572	4,038
Interest expense	(40,654)	(13,529)	(54,183)	-
Other	1,260	-	1,260	-
<b>TOTAL NONOPERATING REVENUES (EXPENSE)</b>	<b>(30,999)</b>	<b>(12,352)</b>	<b>(43,351)</b>	<b>4,038</b>
Income (loss) before contributions and transfers	7,533	36,687	44,220	(135,316)
Capital contributions	103,944		103,944	-
Transfers in	-	366	366	30,000
Transfers out	(9,688)	(13,000)	(22,688)	-
Sale of fixed assets	-	-	-	5,600
<b>CHANGE IN NET ASSETS</b>	<b>101,789</b>	<b>24,053</b>	<b>125,842</b>	<b>(99,716)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>788,983</b>	<b>743,426</b>	<b>1,532,409</b>	<b>357,250</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 890,772</b>	<b>\$ 767,479</b>	<b>\$ 1,658,251</b>	<b>\$ 257,534</b>

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended June 30, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 163,668	\$ 159,008	\$ 322,676	\$ 35,847
Payments to suppliers	(40,198)	(63,586)	(103,784)	(86,667)
Payments to employees	(18,983)	(21,387)	(40,370)	(9,234)
Net cash provided (used) by operating activities	104,487	74,035	178,522	(60,054)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating subsidies and transfers to other funds	(9,688)	(12,634)	(22,322)	30,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(1,443)	(34,937)	(36,380)	(4,991)
Principal and interest paid on capital debt	(63,654)	(28,529)	(92,183)	-
Other receipts (payments)	1,260	-	1,260	5,600
Net cash provided (used) by capital and related financing activities	(63,837)	(63,466)	(127,303)	609
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	8,395	1,177	9,572	4,038
Net increase (decrease) in cash and cash equivalents	39,357	(888)	38,469	(25,407)
Balances - beginning of year	206,830	99,217	306,047	25,407
Balances - end of year	\$ 246,187	\$ 98,329	\$ 344,516	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 38,532	\$ 49,039	\$ 87,571	\$ (139,354)
Adjustments to reconcile Operating income to net cash				
Provided (used) by operating activities				
Depreciation expense	60,315	26,999	87,314	39,983
Change in net assets and liabilities				
Receivables - net	3,791	1,271	5,062	-
Accounts and other payables	1,849	(3,274)	(1,425)	39,317
Net cash provided by operating activities	\$ 104,487	\$ 74,035	\$ 178,522	\$ (60,054)

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

Fiduciary Fund

Statement of Fiduciary Net Assets

Year Ended June 30, 2008

---

## ASSETS

Cash and investments	\$	6,467
----------------------	----	-------

---

## LIABILITIES

Due to other governments	\$	6,467
--------------------------	----	-------

---

See accompanying notes to basic financial statements.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Olivet conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Olivet:

#### **A. Reporting Entity**

The City of Olivet was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law City. The City operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

#### **Discretely Presented Component Units**

The City of Olivet Economic Development Corporation accounts for loans granted to businesses operating in the City. The component unit column in the combined financial statements include the financial data for the City's Economic Development Corporation. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing committee are appointed by the City Council.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

---

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of Olivet's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the City of Olivet as of the preceding December 31st.

Although the City of Olivet's 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the City of Olivet's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the City of Olivet totaled \$15,077,300, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	13.2628 \$	199,967

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and the Local Street Fund are used to account for the maintenance and construction of the City's street system. These funds account for revenues provided by the State through Act 51.

The 2006 Bridge Construction Fund accounts for grants, debt proceeds and other sources for the construction of a new bridge in the City.

The Water and Sewer Enhancement Fund accounts for grants and other revenue used to improve the City's water and sewer utilities.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.



# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

---

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

---

**Inventories and Prepaid Items**--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Other infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)**--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

**Long-Term Obligations**--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**--Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### **NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The City normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before April 1, the City Finance Committee submits to the Council, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City hall to obtain taxpayer comments.

On or before April 1, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are presented as originally adopted, or as amended by the City Council before June 30. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.

The City legally adopts budgets for the General Fund, and Debt Service Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the City Council.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Debt Service funds.

The City Council directs the Treasurer to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the City Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, City of Olivet incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

		Budget appropriation	Actual expenditure
General Fund			
Fire department	\$	77,300	\$ 80,093
Street lighting		16,000	17,523
Transfers out		9,000	84,467

### Note 3 - Deposits and Investments

State statutes authorize the City to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the City is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The City's deposits are in accordance with statutory authority.

As of June 30, 2008, the City had the following deposits.

Eaton Federal Savings Bank	\$	925,063
Independent Bank		278,841
Total	\$	1,203,904

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Trust and Agency Funds	Internal Service Fund	Total Primary Government
Cash and investments	\$ 821,554	\$ 344,516	\$ 6,467	\$ -	\$ 1,166,070

The deposits of the City were reflected in the accounts of financial institutions at \$1,203,904, of which \$407,893 is covered by federal depository insurance. \$796,011 is uninsured. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with and acceptable estimated risk level are used as depositories.

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### **NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2008</b>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 159,656	\$ 2,095	\$	\$ 161,751
Vehicles	507,208	77,970		585,178
Equipment	342,637			342,637
Streets infrastructure	542,767	331,996		874,763
Internal service fund	642,089	4,991	19,543	627,537
<b>Subtotal</b>	<b>2,194,357</b>	<b>417,052</b>	<b>19,543</b>	<b>2,591,866</b>
<b>Accumulated depreciation:</b>				
Buildings	115,995	3,498		119,493
Vehicles	312,767	23,659		336,426
Equipment	184,671	23,451		208,122
Streets infrastructure	33,597	37,359		70,956
Internal service fund	320,178	39,983	19,543	340,618
<b>Subtotal</b>	<b>967,208</b>	<b>127,950</b>	<b>19,543</b>	<b>1,075,615</b>
<b>Net capital assets being depreciated</b>	<b>1,227,149</b>	<b>289,102</b>		<b>1,516,251</b>
<b>Net capital assets</b>	<b>\$ 1,227,149</b>	<b>\$ 289,102</b>	<b>\$</b>	<b>\$ 1,516,251</b>
<b>Business-Type Activities</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2008</b>
<b>Capital assets being depreciated:</b>				
Sewer system	\$ 2,283,685	\$ 151,887	\$	\$ 2,435,572
Water system	1,423,947	55,038		1,478,985
<b>Subtotal</b>	<b>3,707,632</b>	<b>206,925</b>		<b>3,914,557</b>
<b>Accumulated depreciation:</b>				
Sewer system	900,176	60,315		960,491
Water system	375,726	26,999		402,725
<b>Subtotal</b>	<b>1,275,902</b>	<b>87,314</b>		<b>1,363,216</b>
<b>Net capital assets being depreciated</b>	<b>2,431,730</b>	<b>119,611</b>		<b>2,551,341</b>
<b>Net capital assets</b>	<b>\$ 2,431,730</b>	<b>\$ 119,611</b>	<b>\$</b>	<b>\$ 2,551,341</b>

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

Depreciation expense was charged to programs of the primary government as follows:

### Governmental activities:

General government	\$	3,752
Public safety		41,512
Public works		3,194
Parks		2,150
Streets infrastructure		37,359
Internal service fund		39,983
<b>Total governmental activities</b>	<b>\$</b>	<b>127,950</b>

### Business-Type activities:

Sewer	\$	60,315
Water		26,999
<b>Total Business-Type activities</b>	<b>\$</b>	<b>87,314</b>

## NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 6
General Fund	Water Fund	83,836
Sewer Fund	Equipment Fund	15,204
Equipment Fund	Water Fund	25,136
<b>Total</b>	<b>\$</b>	<b>124,182</b>

### Interfund Transfers

Transfers In	Transfers Out										Total
	General Fund	Major Streets Fund	Local Streets Fund	Municipal Street Fund	Bridge Construction	Water/Sewer Enhancements	Sewer Fund	Water Fund			
Major Streets Fund	\$ -	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,000
Local Streets Fund	-	-	-	26,000	-	-	-	-	-	-	26,000
Equipment Fund	9,000	2,000	1,000	2,000	-	-	8,000	8,000			30,000
Bridge Construction	75,467	-	-	-	-	-	-	-			75,467
General Fund	-	-	-	-	-	-	-	5,000			5,000
Economic Development Fund	-	-	-	-	1,996	-	-	-			1,996
Water Fund	-	-	-	-	-	366	-	-			366
Water/Sewer Enhancements	-	-	-	-	-	-	1,688	-			1,688
<b>Total</b>	<b>\$84,467</b>	<b>\$ 2,000</b>	<b>\$ 1,000</b>	<b>\$ 35,000</b>	<b>\$ 1,996</b>	<b>\$ 366</b>	<b>\$ 9,688</b>	<b>\$13,000</b>	<b>\$</b>	<b>\$</b>	<b>147,517</b>

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### **NOTE 6 - LONG-TERM DEBT**

Bond and contractual obligation activity can be summarized as follows:

	Balance July 1, 2007		Additions	Reductions	Balance June 30, 2008		Due within one year
Sewer bonds	\$	903,127	\$	\$ 23,000	\$	880,127	\$ 24,000
Water bonds		350,000		15,000		335,000	15,000
Transportation bonds		175,000		9,000		166,000	9,000
<b>Totals</b>	<b>\$</b>	<b>1,428,127</b>	<b>\$</b>	<b>\$ 47,000</b>	<b>\$</b>	<b>1,381,127</b>	<b>\$ 48,000</b>

Annual debt service requirements to maturity for the above obligation follows:

June 30,	Business Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2009	\$ 39,000	\$ 52,002	\$ 9,000	\$ 6,864
2010	40,000	50,307	9,000	6,481
2011	41,000	48,567	10,000	6,078
2012	47,000	46,684	10,000	5,653
2013	48,000	44,657	11,000	5,206
2014	49,000	42,584	11,000	4,738
2015	50,000	40,466	11,000	4,271
2016	56,000	38,205	12,000	3,783
2017	57,000	35,800	12,000	3,273
2018	58,000	33,349	13,000	2,741
2019	59,000	30,854	13,000	2,188
2020	60,000	28,315	14,000	1,615
2021	61,000	25,730	15,000	999
2022	67,000	23,001	16,000	340
2023	68,000	20,128		
2024	39,000	17,803		
2025	40,000	16,026		
2026	41,000	14,203		
2027	42,000	12,335		
2028	44,000	10,400		
2029	46,000	8,375		
2030	42,000	6,395		
2031	50,000	4,325		
2032	50,000	2,075		
2033	21,127	475		
<b>Totals</b>	<b>\$ 1,215,127</b>	<b>\$ 653,061</b>	<b>\$ 166,000</b>	<b>\$ 54,230</b>

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### **NOTE 7 - SEGMENT INFORMATION**

The City operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

#### Condensed Statement of Net Assets

	Sewer Fund	Water Fund
<b>Assets</b>		
Current assets	\$ 299,807	\$ 136,745
Capital assets	1,475,081	1,076,260
<b>Total Assets</b>	<b>1,774,888</b>	<b>1,213,005</b>
<b>Liabilities</b>		
Current liabilities	27,989	42,573
Noncurrent liabilities	856,127	402,346
<b>Total Liabilities</b>	<b>884,116</b>	<b>444,919</b>
<b>Net Assets</b>		
Invested in capital assets	492,309	658,914
Unrestricted	398,463	109,172
<b>Total Net Assets</b>	<b>\$ 890,772</b>	<b>\$ 768,086</b>



# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Charges for services	\$ 160,196	\$ 159,955
Depreciation	60,315	26,999
Other operating expenses	61,349	83,310
Operating income	38,532	49,646
Nonoperating revenue (expense)		
Investment earnings	8,395	1,177
Interest expense	(40,654)	(13,529)
Other	1,260	-
Transfers	(9,688)	(12,634)
Capital contributions	103,944	-
Total nonoperating revenue and expenses	63,257	(24,986)
Changes in net assets	101,789	24,660
Beginning net assets	788,983	743,426
Ending net assets	\$ 890,772	\$ 768,086

### Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 105,050	\$ 85,001
Noncapital financing activities	(8,000)	(13,000)
Capital and related financing activities	(110,131)	(44,123)
Investing activities	8,715	1,385
Net increase (decrease) in cash	(4,366)	29,263
Beginning cash and cash equivalents	211,196	69,954
Ending cash and cash equivalents	\$ 206,830	\$ 99,217

# City of Olivet

Eaton County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2008

### **NOTE 8 - RECEIVABLES**

Receivables as of year-end for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Sewer Fund	Water Fund	Total
Accounts receivable	\$ -	\$ -	\$ -	\$ 38,416	\$ 38,416	\$ 76,832
Intergovernmental	24,146	7,165	1,895	-	-	33,206
Net Receivables	\$ 24,146	\$ 7,165	\$ 1,895	\$ 38,416	\$ 38,416	\$ 110,038

### **NOTE 9 - RISK MANAGEMENT**

The the City of Olivet is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Olivet obtains commercial insurance coverage through the MCM Group for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the City participates operates as a common risk-sharing management program for municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

The City has no post-retirement benefit plans at this time other than its pension plan.

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The City of Olivet deposits 4% of gross wages into Individual Retirement Accounts in each employee's name. Employer contributions for the year were \$7,761.

### **NOTE 12 - COMPENSATED ABSENCES**

All full time employees earn vacation pay beginning when they are hired. Vacation time that is earned but not used by the employee's anniversary date is paid.

Full-time employees are entitled to five sick days per year. Up to 30 sick days are allowed to be carried over to the next year. Upon termination, any unused sick days will be paid. Compensated absences payable at June 30, 2008 are immaterial.

# City of Olivet

Eaton County, Michigan

General Fund

Balance Sheet

For the year ended June 30, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ 544,116	\$ 615,149
Due from other units of government	24,146	26,361
Due from other funds	1,496	1,490
Advances to other funds	82,346	82,346
<b>TOTAL ASSETS</b>	<b>\$ 652,104</b>	<b>\$ 725,346</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 12,077	\$ 19,103
Payroll deductions payable	2,223	1,733
<b>TOTAL LIABILITIES</b>	<b>14,300</b>	<b>20,836</b>
<b>FUND EQUITY</b>		
Fund balance	637,804	704,510
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 652,104</b>	<b>\$ 725,346</b>

# City of Olivet

Eaton County, Michigan

General Fund

## Budgetary Comparison Schedule

For the year ended June 30, 2008

	Original and final budget	Actual	Variance with final budget	2007
<b>REVENUES</b>				
Property Taxes				
Current property taxes	\$ 195,000	\$ 166,151	\$ (28,849)	\$ 165,288
Federal grants	-	-	-	45,637
State Grants				
State revenue sharing	184,770	193,534	8,764	200,102
Licenses and permits	5,150	5,281	131	5,166
Fines and forfeitures	5,700	8,588	2,888	8,891
Charges for services	35,000	44,079	9,079	44,546
Interest and Rentals				
Interest on investments	10,000	11,208	1,208	8,258
Other Revenue				
Other revenue	100	3,535	3,435	5,460
Contributions and donations	-	28,700	28,700	1,407
Total Other Revenue	100	32,235	32,135	6,867
<b>TOTAL REVENUES</b>	<b>435,720</b>	<b>461,076</b>	<b>25,356</b>	<b>484,755</b>

# City of Olivet

Eaton County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	Original and final budget	Actual	Variance with final budget	2007
<b><u>EXPENDITURES</u></b>				
General government				
City Commission	\$ 3,000	\$ 3,210	\$ (210)	\$ 2,840
Mayor	600	600	-	600
Clerk	52,500	42,509	9,991	44,734
Elections	7,750	7,001	749	5,466
Buildings and grounds	14,550	13,490	1,060	12,800
Assessor	6,000	12,500	(6,500)	10,220
Cemetery	12,000	6,507	5,493	6,807
Board of review	1,000	1,578	(578)	1,231
<b>Total General government</b>	<b>97,400</b>	<b>87,395</b>	<b>10,005</b>	<b>84,698</b>
Public safety				
Police	138,900	133,557	5,343	130,447
Fire department	77,300	80,093	(2,793)	117,713
<b>Total Public safety</b>	<b>216,200</b>	<b>213,650</b>	<b>2,550</b>	<b>248,160</b>
Department of public works				
Street lighting	16,000	17,523	(1,523)	16,272
Parking lot	1,880	1,298	582	358
<b>Total Department of public works</b>	<b>17,880</b>	<b>18,821</b>	<b>(941)</b>	<b>16,630</b>
Recreation and culture				
Parks and recreation department	14,700	11,630	3,070	11,208
Health and welfare				
Ambulance	11,610	10,342	1,268	10,843
Economic development				
Zoning	2,000	2,738	(738)	1,769

# City of Olivet

Eaton County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	Original and final budget	Actual	Variance with final budget	2007
Other				
Insurance	\$ 77,100	\$ 64,237	\$ 12,863	\$ 54,935
Retirement	12,100	7,761	4,339	7,708
Social security	23,000	29,697	(6,697)	20,365
Employee benefits	-	2,044	(2,044)	-
<b>Total Other</b>	<b>112,200</b>	<b>103,739</b>	<b>8,461</b>	<b>83,008</b>
<b>TOTAL EXPENDITURES</b>	<b>471,990</b>	<b>448,315</b>	<b>23,675</b>	<b>456,316</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(36,270)</b>	<b>12,761</b>	<b>49,031</b>	<b>28,439</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	-	5,000
Transfers out	(9,000)	(84,467)	(75,467)	(62,096)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,000)</b>	<b>(79,467)</b>	<b>(75,467)</b>	<b>(57,096)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(40,270)</b>	<b>(66,706)</b>	<b>(26,436)</b>	<b>(28,657)</b>
<b>Fund balance at beginning of year</b>	<b>704,510</b>	<b>704,510</b>	<b>-</b>	<b>733,167</b>
<b>Fund balance at end of year</b>	<b>\$ 664,240</b>	<b>\$ 637,804</b>	<b>\$ (26,436)</b>	<b>\$ 704,510</b>

# City of Olivet

Eaton County, Michigan

Major Streets Fund

Balance Sheet

For the year ended June 30, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ 38,713	\$ 24,654
Due from other units of government	7,165	7,164
<b>TOTAL ASSETS</b>	<b>\$ 45,878</b>	<b>\$ 31,818</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>FUND EQUITY</b>		
Fund balance, reserved	45,878	31,818
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 45,878</b>	<b>\$ 31,818</b>

# City of Olivet

Eaton County, Michigan

Major Streets Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	Final budget	Actual	Variance with final budget	2007
<b>REVENUES</b>				
State Grants				
Michigan transportation funds	\$ 85,000	\$ 87,356	\$ 2,356	\$ 86,795
Other state grants	-	4,160	4,160	6,177
<b>Total State Grants</b>	<b>85,000</b>	<b>91,516</b>	<b>6,516</b>	<b>92,972</b>
Charges for services	1,000	1,775	775	1,194
Other revenue	-	-	-	14
<b>TOTAL REVENUES</b>	<b>86,000</b>	<b>93,291</b>	<b>7,291</b>	<b>94,180</b>
<b>EXPENDITURES</b>				
Public works				
Construction of streets	2,500	1,223	1,277	13,394
Construction of bridges	-	8,582	(8,582)	93,468
Preservation of streets	42,500	30,408	12,092	41,629
Traffic services	1,750	1,096	654	3,661
Winter maintenance	11,500	22,823	(11,323)	10,513
Administration and engineering	9,000	7,102	1,898	7,854
Principal	12,800	12,997	(197)	1,818
<b>Total Public works</b>	<b>80,050</b>	<b>84,231</b>	<b>(4,181)</b>	<b>172,337</b>
<b>TOTAL EXPENDITURES</b>	<b>80,050</b>	<b>84,231</b>	<b>(4,181)</b>	<b>172,337</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,950</b>	<b>9,060</b>	<b>3,110</b>	<b>(78,157)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,000	7,000	-	22,000
Transfers out	(12,000)	(2,000)	10,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>5,000</b>	<b>10,000</b>	<b>22,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>950</b>	<b>14,060</b>	<b>13,110</b>	<b>(56,157)</b>
<b>Fund balance at beginning of year</b>	<b>31,818</b>	<b>31,818</b>	<b>-</b>	<b>87,975</b>
<b>Fund balance at end of year</b>	<b>\$ 32,768</b>	<b>\$ 45,878</b>	<b>\$ 13,110</b>	<b>\$ 31,818</b>



# City of Olivet

Eaton County, Michigan

Local Streets Fund

## Balance Sheet

For the year ended June 30, 2008

---

### ASSETS

Cash	\$	213,029	\$	192,654
Due from other units of government		1,895		1,892
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>214,924</b>	<b>\$</b>	<b>194,546</b>

---

### LIABILITIES AND FUND EQUITY

#### FUND EQUITY

Fund balance, reserved	\$	214,924	\$	194,545
------------------------	----	---------	----	---------

---

# City of Olivet

Eaton County, Michigan

Local Streets Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	Final budget	Actual	Variance with final budget	2007
<b>REVENUES</b>				
State Grants				
Michigan transportation funds	\$ 23,000	\$ 23,045	\$ 45	\$ 21,293
Other state grants	-	1,040	1,040	4,118
<b>Total State Grants</b>	<b>23,000</b>	<b>24,085</b>	<b>1,085</b>	<b>25,411</b>
Charges for services	500	193	(307)	220
Interest on investments	-	1,005	1,005	27
<b>TOTAL REVENUES</b>	<b>23,500</b>	<b>25,283</b>	<b>1,783</b>	<b>25,658</b>
<b>EXPENDITURES</b>				
Public works				
Construction of streets	4,000	37	3,963	3,899
Preservation of streets	19,000	11,762	7,238	15,607
Traffic services	1,000	310	690	764
Winter maintenance	6,950	9,829	(2,879)	5,094
Administration and engineering	6,900	4,717	2,183	5,018
Debt service	3,200	3,249	(49)	455
<b>Total Public works</b>	<b>41,050</b>	<b>29,904</b>	<b>11,146</b>	<b>30,837</b>
<b>TOTAL EXPENDITURES</b>	<b>41,050</b>	<b>29,904</b>	<b>11,146</b>	<b>30,837</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(17,550)</b>	<b>(4,621)</b>	<b>12,929</b>	<b>(5,179)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	26,000	26,000	-	23,000
Transfers out	(7,000)	(1,000)	6,000	(10,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>19,000</b>	<b>25,000</b>	<b>6,000</b>	<b>13,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,450</b>	<b>20,379</b>	<b>18,929</b>	<b>7,821</b>
<b>Fund balance at beginning of year</b>	<b>194,545</b>	<b>194,545</b>	<b>-</b>	<b>186,724</b>
<b>Fund balance at end of year</b>	<b>\$ 195,995</b>	<b>\$ 214,924</b>	<b>\$ 18,929</b>	<b>\$ 194,545</b>

# City of Olivet

Eaton County, Michigan

2006 Bridge Construction Fund

Balance Sheet

For the year ended June 30, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 175,881
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
Fund balance	\$ -	\$ 175,881

# City of Olivet

Eaton County, Michigan

2006 Bridge Construction Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	2008	2007
<b>REVENUES</b>		
Federal grants	\$ 150,296	\$ 121,272
Contributions from local units	36,324	-
Interest and Rentals		
Interest on investments	-	859
<b>TOTAL REVENUES</b>	<b>186,620</b>	<b>122,131</b>
<b>EXPENDITURES</b>		
Capital outlay	435,972	353,346
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(249,352)</b>	<b>(231,215)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	75,467	232,096
Proceeds of long-term debt	-	175,000
Transfers out	(1,996)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>73,471</b>	<b>407,096</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(175,881)</b>	<b>175,881</b>
Fund balance Fund balance at beginning of year	175,881	-
Fund balance at end of year	\$ -	\$ 175,881

The City is not required to adopt budgets for capital projects funds and did not do so.

# City of Olivet

Eaton County, Michigan

Water/Sewer Enhancement/ICE Grant Construction Fund

## Balance Sheet

For the year ended June 30, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 48,471
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>FUND BALANCES</b>		
Fund balance	\$ -	\$ 175,881

# City of Olivet

Eaton County, Michigan

Water/Sewer Enhancement/ICE Grant Construction Fund

Budgetary Comparison Schedule

For the year ended June 30, 2008

	2008	2007
<b><u>REVENUES</u></b>		
State grants	\$ 196,140	\$ -
Contributions from local units	-	66,600
<b>TOTAL REVENUES</b>	<b>196,140</b>	<b>66,600</b>
<b><u>EXPENDITURES</u></b>		
Capital outlay	245,933	18,129
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(49,793)</b>	<b>48,471</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers in	1,688	-
Transfers out	(366)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,322</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(48,471)</b>	<b>48,471</b>
<b>Fund balance at beginning of year</b>	<b>48,471</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ 48,471</b>

The City is not required to adopt budgets for capital projects funds and did not do so.

# City of Olivet

Eaton County, Michigan

Nonmajor Funds

Combining Balance Sheet

June 30, 2008

		Special Revenue Funds								
		Municipal Streets	Drug Forfeiture	Community Recycling	Act 302 Fund	Highway Safety				
<u>ASSETS</u>										
Cash	\$	4,815	\$	115	\$	1,351	\$	699	\$	442
<u>LIABILITIES AND FUND EQUITY</u>										
<u>FUND EQUITY</u>										
Unreserved fund balances	\$	4,815	\$	115	\$	1,351	\$	699	\$	442

Capital Project Fund	Permanent Fund		
2004 Firefighters' Fund	Cemetery Care	Total	
\$ 1,855	\$ 16,419	\$	25,696
\$ 1,855	\$ 16,419	\$	25,696



# City of Olivet

Eaton County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

June 30, 2008

	Special Revenue Funds				
	Municipal Streets	Drug Forfeiture	Community Recycling	Act 302 Fund	Highway Safety
<b>REVENUE</b>					
Property tax	\$ 35,292	\$ -	\$ -	\$ -	\$ -
Contributions from local units	-	-	6,413	-	-
Federal Grants	-	-	-	-	-
State grant	-	-	-	364	8
Interest revenue	298	-	-	1	-
<b>TOTAL REVENUE</b>	<b>35,590</b>	<b>-</b>	<b>6,413</b>	<b>365</b>	<b>8</b>
<b>EXPENDITURES</b>					
Capital outlay	-	-	-	-	-
Community development and enrichment	-	-	6,910	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>6,910</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>35,590</b>	<b>-</b>	<b>(497)</b>	<b>365</b>	<b>8</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(35,000)	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>590</b>	<b>-</b>	<b>(497)</b>	<b>365</b>	<b>8</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,225</b>	<b>115</b>	<b>1,848</b>	<b>334</b>	<b>434</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,815</b>	<b>\$ 115</b>	<b>\$ 1,351</b>	<b>\$ 699</b>	<b>\$ 442</b>

Capital Project Fund		Permanent Fund			
2004 Firefighters' Fund		Cemetery Care		Total	
\$	-	\$	-	\$	35,292
	3,200		-		9,613
	60,244		-		60,244
	-		-		372
	60		-		359
	63,504		-		105,880
	62,036		-		62,036
	-		-		6,910
	62,036		-		68,946
	1,468		-		36,934
	-		-		(35,000)
	1,468		-		1,934
	387		16,419		23,762
\$	1,855	\$	16,419	\$	25,696

# City of Olivet

Eaton County, Michigan

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

Year Ended June 30, 2008

	Winter Tax Collection Fund		Holiday Decoration Fund		Total
<b><u>ASSETS</u></b>					
Cash and investments	\$	5,666	\$	801	\$ 6,467
<b><u>LIABILITIES</u></b>					
Due to others	\$	5,666	\$	801	\$ 6,467

# City of Olivet

City of Olivet

Schedule of Debt

\$1,147,000 1994 Sewer Revenue Bonds

June 30, 2008

Year ended June 30,	Interest Rate	Principal	July Interest	January Interest	Total
2009	4.500%	\$ 24,000	\$ 19,803	\$ 19,263	\$ 63,066
2010	4.500%	25,000	19,263	18,700	62,963
2011	4.500%	26,000	18,700	18,115	62,815
2012	4.500%	27,000	18,115	17,508	62,623
2013	4.500%	28,000	17,508	16,878	62,386
2014	4.500%	29,000	16,878	16,225	62,103
2015	4.500%	30,000	16,225	15,550	61,775
2016	4.500%	31,000	15,550	14,853	61,403
2017	4.500%	32,000	14,853	14,133	60,986
2018	4.500%	33,000	14,133	13,390	60,523
2019	4.500%	34,000	13,390	12,625	60,015
2020	4.500%	35,000	12,625	11,838	59,463
2021	4.500%	36,000	11,838	11,028	58,866
2022	4.500%	37,000	11,028	10,195	58,223
2023	4.500%	38,000	10,195	9,340	57,535
2024	4.500%	39,000	9,340	8,463	56,803
2025	4.500%	40,000	8,463	7,563	56,026
2026	4.500%	41,000	7,563	6,640	55,203
2027	4.500%	42,000	6,640	5,695	54,335
2028	4.500%	44,000	5,695	4,705	54,400
2029	4.500%	46,000	4,705	3,670	54,375
2030	4.500%	42,000	3,670	2,725	48,395
2031	4.500%	50,000	2,725	1,600	54,325
2032	4.500%	50,000	1,600	475	52,075
2033	4.500%	21,127	475	-	21,602
Totals	\$	\$ 880,127	\$ 280,980	\$ 261,177	\$ 1,422,284

# City of Olivet

City of Olivet

Schedule of Debt

\$390,000 2002 Water Capital Improvement General Obligation Bonds

June 30, 2008

Year ended June 30,	Interest Rate	Principal	November Interest	May Interest	Total
2009	3.950%	\$ 15,000	\$ 6,616	\$ 6,320	\$ 27,936
2010	3.950%	15,000	6,320	6,024	27,344
2011	3.950%	15,000	6,024	5,728	26,752
2012	3.950%	20,000	5,728	5,333	31,061
2013	3.950%	20,000	5,333	4,938	30,271
2014	3.950%	20,000	4,938	4,543	29,481
2015	3.950%	20,000	4,543	4,148	28,691
2016	3.950%	25,000	4,148	3,654	32,802
2017	3.950%	25,000	3,654	3,160	31,814
2018	3.950%	25,000	3,160	2,666	30,826
2019	3.950%	25,000	2,666	2,173	29,839
2020	3.950%	25,000	2,173	1,679	28,852
2021	3.950%	25,000	1,679	1,185	27,864
2022	3.950%	30,000	1,185	593	31,778
2023	3.950%	30,000	593	-	30,593
<b>Totals</b>		<b>\$ 335,000</b>	<b>\$ 58,760</b>	<b>\$ 52,144</b>	<b>\$ 445,904</b>

# City of Olivet

City of Olivet

Schedule of Debt

\$175,000 Michigan Transportation Bonds, Series 2005

June 30, 2008

Year End	Interest rate	Principal		Interest		Total
		August	August	February		
2009	4.250%	\$ 9,000	\$ 3,528	\$ 3,336	\$	15,864
2010	4.250%	9,000	3,336	3,145		15,481
2011	4.250%	10,000	3,145	2,933		16,078
2012	4.250%	10,000	2,933	2,720		15,653
2013	4.250%	11,000	2,720	2,486		16,206
2014	4.250%	11,000	2,486	2,252		15,738
2015	4.250%	11,000	2,252	2,019		15,271
2016	4.250%	12,000	2,019	1,764		15,783
2017	4.250%	12,000	1,764	1,509		15,273
2018	4.250%	13,000	1,509	1,232		15,741
2019	4.250%	13,000	1,232	956		15,188
2020	4.250%	14,000	956	659		15,615
2021	4.250%	15,000	659	340		15,999
2022	4.250%	16,000	340	-		16,340
Totals		\$ 166,000	\$ 28,879	\$ 25,351	\$	220,230

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Council  
City of Olivet  
Eaton County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Olivet for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008. Professional standards require that we provide you with the following information related to our audit

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on .

### Significant Audit Findings

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Olivet are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note 8 to the financial statements. The City is exposed to various risks related to property loss, torts, errors and omissions and employee injuries. The City is covered by insurance through the MCM Group.

To the City City Council  
City of Olivet  
Eaton County, Michigan

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management In performing and completing our audit.

#### **Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

\$65,050 to adjust the Winter Tax Account

\$39,317 to reclassify cash in the Equipment Fund

\$46,500 to reclassify capital assets in the Sewer Fund

\$3,600 to reclassify purchase of police equipment in the General Fund

\$103,944 to record capital additions in the Sewer Fund

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included In the management representation letter dated City.

#### **Management Consultations With Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred In the normal course of our professional relationship and our responses were not a condition to our retention.

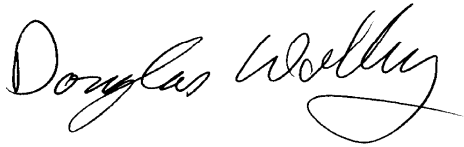
A good system of internal control provides for a proper segregation of the accounting functions. The City does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. For example, the same person opens cash receipts and enters them in the accounts receivable subsidiary ledgers. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. For example, the receptionist could open the mail and make a list of cash receipts and send the remittance advices to the accounting department for posting to the subsidiary ledger. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.



To the City City Council  
City of Olivet  
Eaton County, Michigan

This information is intended solely for the use of the City Council and management of City of Olivet and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Douglas Welby". The signature is written in a cursive style with a large, looping "D" and a long, sweeping underline.

Grand Rapids, Michigan  
December 30, 2008

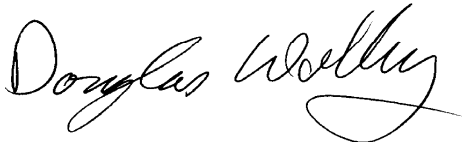
## MANAGEMENT COMMENTS LETTER

To the City Council  
City of Olivet  
Eaton County, Michigan

In planning and performing our audit of the financial statements of the City of Olivet for the year ended June 30, 2008 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 30, 2008 on the financial statements of the City of Olivet

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large loop at the end.

Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
December 30, 2008

## **Current comments and suggestions**

1. We noted transactions where an expense was recorded in an expenditure account of one fund and the cash account of another fund.
2. We noted transactions that were posted to accounts where they should have been posted to sub-accounts.
3. We noted invoices that had been entered into the accounting system as bills, but then paid with checks. This essentially records the expenditure twice.
4. We noted various bank accounts that had statements dated on dates other than the last day of the month. All bank accounts should have statements as of the last day of the month.
5. The Water Fund has owed the Equipment Fund \$25,136 for several years. We recommend the Water Fund write a check to the Equipment Fund in this amount.
6. We noted unreconciled items on some bank reconciliations that there were at least one year old. These items should be investigated and resolved.

## **Prior comments and suggestions**

1. The City Council adopts budgets for various funds at the beginning of each year. We recommend that the Council amend the budgets as needed throughout the year to reflect changes in assumptions and conditions.

**Resolution:** The City Council will amend the budgets as needed.

2. The City uses a computerized accounting system. During our audit work we noted what appears to be an excessive amount of paperwork and manual calculations were used by the City staff to record various transactions, such as the distribution of payroll expenditures to the various funds. We recommend that the City's accounting staff examine its accounting procedures to simplify recording these transactions. We are willing to aid the City in this analysis and recommend changes, if you wish.

**Resolution:** The City's staff has reduced the paperwork and manual calculations to record payroll transactions.